

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF JEFF	)	APPEAL NO. 13-A-1158
BARDEN from a decision of the Kootenai County	)	
Board of Equalization for tax year 2013.	)	FINAL DECISION
	)	AND ORDER

**RESIDENTIAL PROPERTY APPEAL**

THIS MATTER came on for hearing October 29, 2013, in Coeur d'Alene, Idaho before Board Member Linda Pike. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Appellant Jeff Barden appeared at hearing. Chief Deputy Assessor Richard Houser, and Appraisers Darin Krier and Rindie Clairmont appeared for Respondent Kootenai County. This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. 54N02W362320.

**The issue on appeal is the market value of an improved residential property.**

**The decision of the Kootenai County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$627,400, and the improvements' valuation is \$171,420, totaling \$798,820. Appellant requests the total value be reduced to \$560,000.

The subject property is roughly a 2.34 acre parcel with 520 front feet on Lake Pend Oreille. The parcel sits on or near the border with neighboring Bonner County. The property is improved with a 1,409 square foot, 1-bedroom residence with an effective age of 23 years. The property is further improved with both attached and detached garages, as well as a boat house with a grassy gathering area. Subject's waterfront consists of 100 front feet of gently sloping terrain and 420 front feet of more steep and rocky beachfront.

Respondent characterized subject's steeper, rockier waterfront as typical for the area, whereas the 100 front feet encompassing the boathouse area was considered premium. Other improvements include some retaining walls and a gravel roadway connecting the residence to the boathouse area at the other end of the parcel. It was also noted subject is the largest waterfront property on the Kootenai County portion of the lake.

Appellant explained subject was encumbered by some development restrictions which were not adequately considered in the current assessment. According to a letter from Panhandle Health District 1, subject does not meet the setback requirements for a subsurface sewage disposal system. As such, subject's residence is restricted in size to one (1) bedroom. Appellant opined the inability to construct a larger residence on subject greatly diminished the property's value.

In support of reducing subject's assessed value, Appellant offered an opinion of value letter from a local realtor and a separate independent fee appraisal. The realtor's opinion letter referenced six (6) improved waterfront sales which closed during 2012. The sale properties, located on both Lake Pend Oreille and Lake Coeur d'Alene, ranged in size from .43 to 11.1 acres. Sale prices were between \$475,00 and \$649,125. After giving consideration to subject's development restrictions, the realtor estimated an expected sale price between \$575,000 and \$600,000.

The fee appraisal, with an effective date of valuation of June 6, 2013, considered two (2) sales and four (4) active listings involving waterfront property. Sale No. 1 was similar to subject in terms of bathroom and bedroom count, but contained roughly half the

square footage. The 1.85 acre parcel sold in September 2012 for \$475,000. The other sale concerned a .66 acre waterfront parcel improved with a 1,462 square foot residence with three (3) bedrooms and two (2) bathrooms. The property sold in September 2012 for \$585,000. After directly comparing the sale properties to subject and making appraisal adjustments for physical differences, the appraisal report indicated values for subject of \$598,510 and \$519,600 for Sale Nos. 1 and 2, respectively.

A similar comparative analysis was performed between subject and the four (4) active waterfront listings. The listing properties included residences between 640 and 3,177 square feet in size and lots from .24 to 1.08 acres. Adjusted prices were between \$416,760 and \$654,650. An adjustment of \$10,000 was made for subject's development restrictions. The appraisal report estimated a total value for subject of \$560,000.

Respondent questioned some of the adjustments included in the fee appraisal. First was the treatment of subject's relatively large amount of lake frontage. The appraisal utilized only 70 front feet rather than the full 520 front feet subject enjoys. In effect, a zero value was assigned to subject's water frontage in excess of 70 feet. Respondent was also concerned with the lack of vacant land sales in the appraisal, from which an estimate of subject's land value could be determined. Respondent noted the appraisal did not indicate a specific land value, but rather just an estimate of total value for subject.

Respondent explained subject's area was re-evaluated for the current assessment year as part of the county's regular reappraisal cycle. It was noted subject escaped physical inspection in the prior two (2) reappraisal periods because Respondent was

barred from entry to the property by a locked gate. For the current year, Respondent was able to visit the property. Based on the inspection, subject's property characteristics record was updated to include improvements previously not included, or which had been remodeled or re-purposed.

Part of the reappraisal effort included an inspection of subject's waterfront. Respondent determined the parcel contains two (2) distinct waterfront types: typical and superior. Typical waterfront in the area was described as steep and rocky, which represents 420 feet of subject's frontage. Subject's remaining frontage was regarded as superior waterfront for the area because of the gentle slope and panoramic views. This 100 foot portion was assessed at \$2,600 per front foot. The lesser waterfront was valued at approximately \$586 per front foot, which included a sizeable downward adjustment for subject's excess frontage.

Respondent offered information on four (4) improved waterfront sales in support of subject's assessed value. The sale properties were located within approximately two (2) miles of subject. Lot sizes were not shared, but the sale properties included between 113.4 and 170 front feet on the lake. The residences varied somewhat in terms of size and none were developmentally restricted like subject. Respondent compared the sale properties to subject and made adjustments for physical differences, including a \$10,000 adjustment for the residence size restriction. Adjusted sale prices were between \$746,470 and \$903,578.

## CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires all taxable property be assessed annually at market value on January 1 of the applicable tax year. Market value is defined in Idaho Code § 63-201 as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Both parties offered value opinions regarding the subject property based on recent market information. Appellant provided an opinion of value letter from a local realtor, which estimated a value for subject between \$575,000 and \$600,000. The value conclusion was reached from consideration of six (6) improved waterfront sales from 2012. The letter suggested subject's value was negatively impacted by the one-bedroom size restriction and its distance from the city.

Appellant's other value evidence was an independent fee appraisal. The appraisal compared two (2) recent sales and four (4) active listings to subject. After individual adjustments for physical differences compared to subject, adjusted prices were between

\$416,760 and \$654,650. Subject's value was estimated at \$560,000.

The Board appreciates the independent value estimates offered by Appellant, however, there were concerns regarding both. The realtor's opinion was derived using several sales from a different lake. There was no indication of how this key location factor was considered. Also, details concerning the amount and the type of frontage enjoyed by the sale properties was missing in the record. It was not clear how the sale properties' frontage compared to subject's or what value considerations were made in this regard. Overall, the value range indicated in the realtor's opinion letter was thinly supported in the Board's view.

Likewise, the Board found some issues related to the offered fee appraisal report. The most important regarded the value treatment of subject's water frontage. The appraisal indicated only 70 front feet of subject as having value. The land value adjustments were based on this reduced front foot number. The appraisal was not found to address subject's remaining 450 front feet, effectively assigning a zero value to this portion of the site. There was also a lack of support for the land adjustments which were made. No vacant land sales or other land value information, from which a supportable adjustment factor could be determined, was provided. Based primarily on these factors, the Board viewed the appraisal's value conclusion with some caution.

Respondent detailed the process by which subject's assessed value was determined. As part of the county's regular 5-year reappraisal cycle, subject's area was re-evaluated for the current tax year. During inspection of subject, it was noted several

improvements, which had not previously been assessed, had been constructed. Respondent updated subject's property characteristics record accordingly, which caused an increase in the overall improvement value.

Respondent also explained the process for assessing waterfront property in the area. The waterfront of each parcel is physically examined and an overall characteristics rating (OCR) is assigned. Respondent observed two (2) distinct waterfront types for subject, so assigned different OCRs accordingly. The 100 front feet around the boat house area was considered superior waterfront and valued at \$2,600 per front foot. The remaining 420 front feet, which includes the homesite, was considered average for the area. Due to the lesser quality and subject's atypically large size, this portion of subject's land was assessed at roughly \$586 per front foot.

Respondent also offered four (4) recent sales of improved waterfront property for comparison with subject. The sale residences were generally representative of subject, though there was some variance in terms of size. With between 113.4 and 170 front feet, the sale properties enjoyed a noticeably smaller amount of water frontage than subject. Respondent estimated adjusted sale prices between \$746,470 and \$903,578. Subject's total assessed value is \$798,820.

The Board agrees subject presents a unique valuation question. Within the county, the parcel contains the most front footage of any other property on the lake. On the other hand, due to septic restrictions, subject's residence is restricted to only one (1) bedroom. Both parties acknowledged this latter factor was a value detriment, which judgment the

Board agrees with. The difficulty lies in estimating the degree to which subject's value is affected. Both Respondent and the fee appraisal adjusted \$10,000 for subject's restrictions, though substantial market-based support for the adjustment was not in the record.

Idaho Code § 63-511 places the burden of proving error in subject's assessed valuation on Appellant, by a preponderance of the evidence. Both parties provided a good amount of sales data for the Board's consideration.

In all, the Board found Respondent's analysis more compelling and better supported. Respondent considered subject's unique physical attributes in determining a value which the Board views as reasonable and supported given the evidence presented. Overall, the Board did not find sufficient support to disturb the value determined by the County.

Given the above, the decision of the Kootenai County Board of Equalization is affirmed.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.



DATED this 19<sup>th</sup> day of February, 2014.